

Town of Tabiona
FINANCIAL STATEMENTS
Year Ending June 30, 2007

Town of Tabiona, Utah

FINANCIAL STATEMENTS

Year Ending June 30, 2007

Table of Contents

Table of Contents	2
Accountant's Report.....	4
Management Discussion and Analysis.....	5
Government-wide Financial Statements:	
Statement of Net Assets.....	10
Statement of Activities	11
Reconciliations:	
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Fund Financial Statements:	
Balance Sheet—Governmental Funds.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Governmental Funds	15
Budget and Actual—General Fund.....	16
Statement of Net Assets—Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets—Proprietary Funds	18
Statement of Cash Flows—Proprietary Funds	19
Notes to Financial Statements.....	20
Schedule of Condition Assessment for Infrastructure.....	29

Financial Section



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

and

UTAH ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS

Accountant's Report

To the Town Council
Town of Tabiona

We have compiled the accompanying financial statements of the governmental activities, business-type activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Town of Tabiona as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying 2006 and 2005 financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis on pages 5 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit or review the information and accordingly, do not express an opinion or any other form of assurance on the information.

Aycock, Miles & Associates, CPAs

August 31, 2007

Management's Discussion and Analysis

As management of the Town of Tabiona (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2007.

Financial Highlights

- Assets exceeded liabilities at closest year-end: $\$780,323 - \$163,878 = \$616,445$. Of this amount, \$287,840 is unrestricted and available to meet the Town's ongoing obligations.
- The Town had \$157,953 in long-term debt at the closest year-end, a decrease of \$28,470.
- Net assets increased by \$43,717 compared to an \$18,001 increase for fiscal year-end 2006.
- Current assets exceed current liabilities at closest year-end: $\$293,765 - \$17,325 = \$276,440$.
- Current assets exceed all liabilities at closest year-end: $\$293,765 - \$163,553 = \$130,212$
- Cash increased \$52,985 for the most recent fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the Town is general administration, parks, roads, cemetery and fire department. The Town's business-type activities include a utility fund only.

Governmental-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds and proprietary funds. Towns' may have fiduciary funds, but it is not applicable for the Town of Tabiona.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of the revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Various governmental funds are available for accounting, including a general, special revenue, capital projects, and debt service fund. The Town maintains a general fund only. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The Town considers the general fund to be major fund.

Proprietary funds—Of the two type of proprietary funds, enterprise and internal service funds, the Town maintains one individual enterprise funds: a utilities fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the governmental fund balance sheet and the proprietary fund statement of revenues, expenditures, and changes in net assets for both of these proprietary funds. The Town considers the utilities fund to be a major fund.

The Town adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 14-19 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-28 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$616,445 at the close of the most recent fiscal year.

The largest portion of the Town's net assets was capital assets. Unrestricted net assets accounted for 47% of the Town's total net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Legally restricted assets comprise 0%. Capital assets comprised 53% of total net assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

Net Assets	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Current and other assets	\$ 56,123	\$ 20,371	\$ 237,642	\$ 235,953
Net capital assets	86,034	90,028	400,524	418,634
Total assets	142,157	110,399	638,166	654,587
Current liabilities	610	598	16,715	16,423
Long-term liabilities	-	-	146,553	175,237
Total liabilities	610	598	163,268	191,660
Net assets:				
Capital assets, net of related debt	86,034	90,028	242,571	232,211
Restricted	-	-	-	-
Unrestricted	55,513	19,773	232,327	230,716
Total net assets	\$ 141,547	\$ 109,801	\$ 474,898	\$ 462,927

Capital projects are, for the most part, fully funded by grants and loans, town participation, and property tax revenues which exceed remaining operating and administration expenses.

Government activities— Key elements of the governmental activities and business-type activities are as follows.

Change in Net Assets	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Program revenues:				
Charges for services	\$ 7,306	\$ 4,100	\$ 47,466	\$ 40,523
Operating grants	11,974	8,780	-	-
Capital grants	-	8,663	-	-
General revenues:				
Property taxes	2,082	8,161	-	-
Sales tax	17,859	13,560	-	-
Earnings on investments	5,837	2,092	-	-
Embezzlement reimbursement	24,480	6,500	-	-
Total revenues	69,538	51,856	47,466	40,523
Expenses:				
General government	31,886	20,104	-	-
Public safety	-	-	-	-
Highways and streets	85	-	-	-
Sanitation	-	-	-	-
Cemetery	3,464	3,321	-	-
Culture, recreation and parks	231	11,229	-	-
Community & economic development	-	-	-	-
Irrigation	2,126	80	-	-
Sewer	-	-	19,900	18,698
Water	-	-	15,595	21,255
Total expenses	37,792	34,734	35,495	39,953
Increase in net assets	\$ 31,746	\$ 17,122	\$ 11,971	\$ 570

Financial Analysis of the Government's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are two types of funds: governmental funds and proprietary funds. The Town operates only a general fund.

Governmental funds—The focus of the Town's governmental funds is to provide information on near-term flows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's general fund reported an ending fund balance of \$55,513, an increase of \$35,740 in comparison with the prior year. This total fund balance amount is unreserved. Unreserved fund balances are available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unreserved general fund balance to total fund expenditures (excluding capital outlay). Unreserved fund balance represents 165% of total general fund expenditures excluding capital outlay.

Proprietary funds—The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The balance of net assets of the utilities fund consisted of unrestricted net assets of \$232,327, restricted net assets of \$0, and capital assets net of related debt of \$242,571. The utility fund's net assets grew \$11,971 largely due to operating incomes. Other factors concerning the finances of this proprietary fund have already been addressed in the discussion of the Town's business-type activities.

Fund Budgetary Highlights

Amendments may be made to the funds' original budgets to more accurately reflect the expected expenses and revenue as the year progresses. The Town did not amend its budget for the recent fiscal year.

Capital Asset and Debt Administration

Capital assets—The Town's investment in capital assets for its governmental activities as of June 30, 2007 amounts to \$86,034 (net of accumulated depreciation), a decrease of \$3,993 due solely to depreciation. Business-type activities' capital assets were \$400,524 (net of accumulated depreciation), a decrease of \$18,109 due solely to depreciation.

Net Capital Assets	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Land	\$ 5,000	\$ 5,000	\$ 63,840	\$ 63,840
Buildings & water/sewer system, net	29,573	31,741	326,443	345,330
Equipment, net	51,461	53,287	10,241	9,464
Total assets	<u>\$ 86,034</u>	<u>\$ 90,028</u>	<u>\$ 400,524</u>	<u>\$ 418,634</u>

Long-term debt—The Town had long-term debt activity for two revenue bonds during the year. The large reduction in the water revenue bond was a result of using unexpended grant proceeds \$17,284 as a loan payment during the year.

Long-term Debt	2007	2006
Governmental Activities:		
No debt activity	\$ -	\$ -
Business-type Activities:		
State of Utah Revenue Bond, sewer	34,237	38,423
State of Utah Revenue Bond, water	123,716	148,000
Total	<u>\$ 157,953</u>	<u>\$ 186,423</u>

Economic Factors and Next Year's Budgets and Rates

The Town's budget for next year is relatively similar to most recent year's actual expenses. No changes in budgeted tax revenues have been made for the next fiscal year. The tax rates are set to reach the same budgeted revenues.

Modified Approach to Infrastructure Assets

Governments have the option of not reporting depreciation on one or more networks or subsystems of their infrastructure assets. The Town has elected to not depreciate its infrastructure and therefore has adopted the modified approach. The modified approach requires a target condition and a condition assessment to be made at least every three years. This is the first year that the Town has published a condition assessment for its infrastructure. Although there are no years of comparable information, the Town does not believe that the current condition has deviated significantly from prior years. The Town believes that the current conditions of its roads and bridges can be maintained with the same level of expenditures that occurred during the most recent year end. Please refer to table of contents for a schedule of road conditions and target assessments.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town's secretary, 38048 W 3800 N Tabiona, Utah, (435) 848-5481.

Town of Tabiona
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash & savings	\$ 50,867	\$ 235,766	\$ 286,633
Accounts receivable--intergovernmental	3,150	-	
Accounts receivable--customer	2,106	1,876	3,982
Total Current Assets	56,123	237,642	293,765
Non Current Assets:			
Capital assets:			
Infrastructure & land	5,000	63,840	68,840
Buildings & improvements	29,573	326,443	356,016
Equipment	51,461	10,241	61,702
Total Non Current Assets	86,034	400,524	486,558
Total Assets	<u>\$ 142,157</u>	<u>\$ 638,166</u>	<u>\$ 780,323</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 272	\$ 94	\$ 366
Accrued payroll liabilities	338	838	1,176
Accrued interest expense	-	1,804	1,804
Deferred revenue	-	2,579	
Current portion note payable	-	11,400	11,400
Total Current Liabilities	610	16,715	17,325
Non Current Liabilities:			
Revenue bonds	-	146,553	146,553
Total Non Current Liabilities	-	146,553	146,553
Total Liabilities	610	163,268	163,878
NET ASSETS			
Invested in capital assets, net of related debt	86,034	242,571	328,605
Restricted (i.e. C roads, restricted cash)	-	-	-
Unrestricted	55,513	232,327	287,840
Total Net Assets	141,547	474,898	616,445
Total Liabilities & Net Asset Balances	<u>\$ 142,157</u>	<u>\$ 638,166</u>	<u>\$ 780,323</u>

Town of Tabiona
STATEMENT OF ACTIVITIES
For the year ending June 30, 2007

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services & Contributions	Operating Grants & Contributions	Capital Grants & Contributions	Total	
					Governmental Activities	Business-type Activities
Governmental Activities:						
General government	\$ 31,886	329	\$ -	\$ -	\$ (31,557)	\$ -
Public safety	-	-	393	-	393	-
Highways and streets	85	-	11,581	-	11,496	-
Sanitation	-	-	-	-	-	-
Cemetery	3,464	6,262	-	-	2,798	-
Culture, recreation, parks	231	375	-	-	144	-
Community & economic development	-	-	-	-	-	-
Irrigation	2,126	340	-	-	(1,786)	-
Total Governmental Activities	37,792	7,306	11,974	-	(18,512)	-
Business-type Activities:						
Sewer	19,900	18,575	-	-	-	(1,325)
Water	15,595	28,891	-	-	-	13,296
Total Business-type Activities	35,495	47,466	-	-	-	11,971
Total Primary Government	\$ 73,287	\$ 54,772	\$ 11,974	\$ -	(18,512)	(6,541)
General Revenues:						
Property taxes					2,082	2,082
Sales tax					17,859	17,859
Earnings on investments					5,837	5,837
Embezzlement reimbursement					24,480	24,480
Transfers					-	-
Total General Revenues					50,258	50,258
Change in Net Assets					31,746	43,717
Beginning Net Assets					109,801	572,728
Ending Net Assets					\$ 141,547	\$ 616,445

See accompanying notes. Page 11

Town of Tabiona
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total Fund Balances for Governmental Funds

\$ 55,513

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Infrastructure and land	5,000	
Buildings and improvements	86,750	
Equipment	88,211	
Accumulated depreciation	<u>(93,927)</u>	
		86,034

Long-term debt, for funds other than enterprise funds, are recorded in the government-wide financial statements but not in the fund statements.

-

Total Net Assets of Governmental Activities

\$ 141,547

Town of Tabiona
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ending June 30, 2007

Net Change in Fund Balances--Total Governmental Funds	\$	35,740
--	-----------	---------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	-	
Depreciation	(3,994)	
Net		(3,994)

Governmental funds report debt services as an expenditure. However, repayment of debt does not affect the statement of activities but rather is a reduction of the statement of net assets' liability.

Change in Net Assets of Governmental Activities	\$	<u>31,746</u>
--	-----------	----------------------

Town of Tabiona
BALANCE SHEET--GOVERNMENTAL FUNDS
June 30, 2007

	<u>General Fund</u>
Assets	
Cash & savings	\$ 50,867
Accounts receivable--customers	2,106
Accounts receivable--intergovernmental	3,150
Total Assets	<u>\$ 56,123</u>
Liabilities & Equity	
Liabilities:	
Accounts payable	\$ 272
Accrued payroll liabilities	<u>338</u>
Total Liabilities	610
Fund Balances:	
Reserved:	-
Designated	-
Unreserved	<u>55,513</u>
Total Fund Balances	<u>55,513</u>
Total Liabilities & Fund Balances	<u>\$ 56,123</u>

Town of Tabiona
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
For the year ending June 30, 2007

	<u>General Fund</u>
Revenues	
Taxes	\$ 19,942
Licenses and permits	305
Charges for services	7,001
Intergovernmental	11,974
Royalties and interest	5,837
Miscellaneous revenues	<u>24,480</u>
Total Operating Revenue	69,539
Expenditures	
General government	29,718
Public safety	-
Highways and streets	-
Sanitation	-
Cemetery	3,464
Culture, recreation, parks	117
Community & economic development	-
Irrigation	500
Capital outlay	<u>-</u>
Total Operating Expenditures	<u>33,799</u>
Net Change in Fund Balances	35,740
Fund Balances--Beginning of Year	<u>19,773</u>
Fund Balances--End of Year	<u><u>\$ 55,513</u></u>

Town of Tabiona
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL--GENERAL FUND

For the year ending June 30, 2007

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 19,739	\$ 19,739	\$ 19,942	\$ 203
Licenses and permits	155	155	305	150
Charges for services	21,749	21,749	7,001	(14,748)
Intergovernmental	7,687	7,687	11,974	4,287
Royalties and interest	-	-	5,837	5,837
Miscellaneous revenues	-	-	24,480	24,480
Total Operating Revenue	49,330	49,330	69,539	20,209
Expenditures				
General government	28,250	28,250	29,718	(1,468)
Public safety	1,290	1,290	-	1,290
Highways and streets	11,964	11,964	-	11,964
Sanitation	204	204	-	204
Cemetery	4,000	4,000	3,464	536
Culture, recreation, parks	10,250	10,250		
Community & economic development	1,000	1,000		
Irrigation	7,600	7,600	117	7,483
Capital outlay	4,726	4,726	-	4,726
Total Operating Expenditures	69,284	69,284	33,299	35,985
Net Change in Fund Balance	(19,954)	(19,954)	36,240	56,194
Fund Balances--Beginning of Year	19,773	19,773	19,773	-
Fund Balances--End of Year	\$ (181)	\$ (181)	\$ 56,013	\$ 56,194

Town of Tabiona
STATEMENT OF NET ASSETS--PROPRIETARY FUNDS
June 30, 2007

	<u>Proprietary Funds</u>
	<u>Enterprise</u>
	<u>(Utilities)</u>
ASSETS	
Current Assets:	
Cash & savings	\$ 235,766
Accounts receivable--customers, net of allowances	1,876
Total Current Assets	<u>237,642</u>
Non Current Assets:	
Capital assets:	
Land	63,840
Water & sewer system	785,886
Equipment	14,041
Accumulated depreciation	<u>(463,243)</u>
Total Non Current Assets	<u>400,524</u>
Total Assets	<u>\$ 638,166</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 94
Accrued payroll liabilities	838
Accrued interest expense	1,804
Deferred revenue	2,579
Current portion note payable	<u>11,400</u>
Total Current Liabilities	16,715
Non Current Liabilities:	
Revenue bonds, long-term portion	<u>146,553</u>
Total Non Current Liabilities	<u>146,553</u>
Total Liabilities	163,268
NET ASSETS	
Invested in capital assets, net of related debt	242,571
Restricted	-
Unrestricted	<u>232,327</u>
Total Net Assets	<u>474,898</u>
Total Liabilities & Net Asset Balances	<u>\$ 638,166</u>

Town of Tabiona
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the year ending June 30, 2007

	<u>Proprietary Funds</u>
	Enterprise
	<u>(Utilities)</u>
Operating Revenues	
Charges for services:	
Sewer	\$ 18,575
Water	<u>28,891</u>
Total operating revenues	47,466
Operating Expenses	
Wages, labor & benefits	7,670
Repairs and maintenance	3,655
Utilities	192
Professional fees	447
Interest expense	4,999
Miscellaneous	423
Depreciation	<u>18,109</u>
Total operating expenses	<u>35,495</u>
Operating income (loss)	11,971
Retained earnings-beginning	<u>462,927</u>
Retained earnings-ending	<u>\$ 474,898</u>

Town of Tabiona
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ending June 30, 2007

	<u>Proprietary Funds</u>
	Enterprise
	(Utilities)
Cash Flows from Operations	
Receipts from services	\$ 47,396
Paid for labor and wages	(6,832)
Paid interest	(5,353)
Paid for supplies and services	(4,623)
Net Cash Flows	30,588
Cash Flows from Non-Capital Financing	
No activity	-
Net Cash Flows	-
Cash Flows from Capital Financing	
Principal payments--revenue bonds	(28,470)
Net Cash Flows	(28,470)
Cash Flows from Investing Activities	
No activity	-
Net Cash Flows	-
Net Increase (Decrease) in Cash	2,118
Cash Balance - Beginning of Year	233,648
Cash Balance - End of Year	<u>\$ 235,766</u>
Reconciliation of Operating Income	
to Net Cash Provided from Operating Activity	
Operating income (loss)	\$ 11,971
Operating items not involving cash:	
Depreciation	18,109
Increase (decrease) in accrued interest, etc.	(354)
(Increase) decrease in accounts receivable	430
Increase (decrease) in accounts payable	94
Increase (decrease) in payroll liabilities	838
Increase (decrease) in deferred revenue	(500)
Net Cash Provided by Operating Activities	<u>\$ 30,588</u>

Supplementary Information: Cash paid for interest expense was \$5,353.

Town of Tabiona
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 1 Summary of Significant Accounting Policies

Reporting Entity—The accounting policies of the Town of Tabiona conform to generally accepted accounting principles as applicable to governmental units. For financial reporting purposes, the Town has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and the (1) ability of the Town to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. The Town has no component units and is not a component unit. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as

Town of Tabiona
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The *utilities fund* is used to account for the activities regarding sewer and irrigation management.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Indirect charges are not allocated but are charged to the general administration department.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's two proprietary funds are service charges for the use of a sewer system and fees collected for cemetery usage.

Application of Accounting Pronouncements—Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Deposits and Investments—The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables—All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible amounts. Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the non-current portion of interfund loans). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property Taxes—The property tax revenue of the Town is collected and distributed by Duchesne County. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess real

Town of Tabiona
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

property as of January 1 and complete the tax rolls by May 15. By July 21, the County Auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The County Auditor makes approved changes in assessed value by November 1 and on this same date the County Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30. The tax assessments are considered past due January 15 after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Utah State legislation requires motor vehicles be subject to an age based fee that is due each time a vehicle is registered. The age based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each County from motor vehicle fees is distributed by the County to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The Town recognizes motor vehicle fees as property tax revenue when collected by the County.

As of June 30, 2007, property taxes receivable by the Town includes uncollected taxes assessed as of the January 1, 2007 or earlier. The County expects that all taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Inventories and Prepaid Items—All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets—At times, the Town may have funds set aside that are legally restricted or their use is limited by certain covenants. Restricted resources are applied first when eligible expenses are incurred.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is not depreciated. A modified approach will be used to disclose infrastructure activity.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Town of Tabiona
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Equipment	8
Vehicles	5
Office equipment	5
Computer equipment	3

Compensated Absences—The government's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave because the government does have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations, retirements or certain limits.

Long-term Obligations—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications—Comparative total data for the prior year, if presented, have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Data—Budgets are presented on the modified accrual basis of accounting for all governmental funds of the Town. The following procedures are used in establishing the budgetary data:

- Towards the end of each fiscal year, the council prepares the budget for all applicable funds.
- Copies of the budget are made available for public inspection for seven days prior to adoption.

Town of Tabiona
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

- The Board holds a public hearing on or before June 22 of each year to receive public comment on the budget. Notice of such meeting to be published in newspaper or posted 2 weeks prior to hearing.
- By June 22, the proposed tax rate and budget is adopted by resolution or ordinance. If there is no increase in the certified tax rate, a final budget is adopted by June 22. A copy of the budget is certified by the budget officer and filed with County Auditor within thirty days of adoption.
- The proposed or final tax rate must also be submitted to the County Auditor by June 22. If the Town sets a proposed tax rate which exceeds the certified tax rate, it shall not adopt its final budget until the public hearing has been held. Until the hearing is held and a final budget and tax rate are adopted, the Town may expend monies based on, 1) its tentative budget after adoption, or 2) its prior year's adopted final budget as amended, which must be readopted by resolution at a regular meeting of the governing body. Latest possible date for adoption in the case of an increased tax rate is August 17 (copy due to the County Auditor within thirty days of adoption). Budgeted property taxes are the basis for determining the property tax levy.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- Board may increase the total budget in a fund after meeting notification and public hearing.

Exposures to Risks of Loss—The Town minimizes its exposure to risks of loss through the purchase of commercial insurance. The Town considers uninsured exposure to risks of loss as immaterial.

Interfund Transfers—Funds were transferred between funds for the purpose of cash management.

Interest Expense as a Direct Expense—Interest expense is included as direct expenses of the applicable function. The business activity utility function includes \$4,999 interest expense.

Town of Tabiona
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 2 Capital Assets

A summary of capital asset activity is listed below. These figures include the proprietary funds.

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Governmental Funds:				
Land (not depreciated)	\$ 5,000	\$ -	\$ -	\$ 5,000
General	105,532	-	-	105,532
Roads & streets	2,436	-	-	2,436
Irrigation	65,050	-	-	65,050
Parks and recreation	1,943	-	-	1,943
Sub-total	179,961	-	-	179,961
Proprietary Funds:				
Land (not depreciated)	63,840	-	-	63,840
Sewer and water system	785,886	-	-	785,886
Equipment	14,041	-	-	14,041
Sub-total	863,767	-	-	863,767
Accumulated Depreciation:				
Proprietary funds	(445,134)	(18,109)	-	(463,243)
Governmental funds	(89,934)	(3,993)	-	(93,927)
Sub-total	(535,068)	(22,102)	-	(557,170)
Net Totals	<u>\$ 508,660</u>	<u>\$ (22,102)</u>	<u>\$ -</u>	<u>\$ 486,558</u>

Depreciation expense for the year ended June 30, 2007 was allocated to functions of the Town's governmental activities as follows:

<u>Governmental Funds</u>	
General	\$ 2,168
Roads & streets	85
Irrigation	1,626
Parks and recreation	114
Total	<u>3,993</u>
<u>Proprietary Funds</u>	
Utilities (sewer & water)	18,109
Total	<u>\$ 18,109</u>

Town of Tabiona
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 3. Cash Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2007, \$141,938 of the Town's carrying balances of \$241,938 was uninsured and uncollateralized. The Town's carrying balance and bank balances were similar. These deposits include checking and savings accounts at Well Fargo Bank.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

As of June 30, 2007, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Certificate of Deposit	\$ 44,695	\$ -	\$ 44,695	\$ -	\$ -

Town of Tabiona
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2007, the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
Certificate of Deposit	\$ 44,695	\$ -	\$ -	\$ -	\$ 44,695

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the Town's investment may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2007, \$0 of the Town's investment balances (certificate of deposit) of 45,695 was uninsured and uncollateralized.

Town of Tabiona
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 4 Long-term Obligations

Long-term Obligation	June 30, 2006	Additions	Deletions	June 30, 2007	Current Portion
<u>Governmental Funds</u>					
A--No activity	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Enterprise Funds</u>					
B--Utah State Division of Finance Revenue Bond, due in annual installments around \$10,000 through fiscal year 2022; interest at 2.50%	148,000	-	(24,284)	123,716	7,000
C--U.S.D.A., monthly installments of \$501 through fiscal year 2014; interest at 5.0%	38,423	-	(4,186)	34,237	4,400
Totals	<u>\$ 186,423</u>	<u>\$ -</u>	<u>\$ (28,470)</u>	<u>\$ 157,953</u>	<u>\$ 11,400</u>

The general fund typically pays governmental fund debt, when applicable. The annual requirements to amortize all debt outstanding as of June 30, 2007 are as follows:

Year	Principal	Interest	Total
2008	\$ 11,400	\$ 4,705	\$ 16,105
2009	11,625	4,305	15,930
2010	11,862	3,893	15,755
2011	12,111	3,469	15,580
2012	12,372	3,033	15,405
2013-2017	49,868	9,540	59,408
2018-2022	46,000	3,840	49,840
2023-2027	2,715	68	2,783
Totals	<u>\$ 157,953</u>	<u>\$ 32,853</u>	<u>\$ 190,806</u>

Town of Tabiona
SCHEDULE OF CONDITION ASSESSMENT FOR INFRASTRUCTURE
Required Supplemental Information
June 30, 2007

<u>Type of Infrastructure:</u>	<u>Condition Assessment (5 is best)</u>					<u>Total Miles</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	
Roads						
Paved road 24' wide, 30' wide with shoulders	-	-	10	-	-	10
Actual Percentage	0%	0%	100%	0%	0%	
Target Condition Percentage	10%	10%	80%	0%	0%	
Gravel roads with no shoulders--18' to 24' wide	-	-	1	-	-	1
Actual Percentage	0%	0%	100%	0%	0%	
Target Condition Percentage	10%	10%	80%	0%	0%	
Dirt roads with no shoulders--16' to 24' wide	-	-	-	-	-	-
Actual Percentage	0%	0%	0%	0%	0%	
Target Condition Percentage	10%	10%	80%	0%	0%	

Estimated annual amount at beginning of fiscal year to maintain and preserve the condition level established compared with the amounts actually expended in the past five reporting periods.

<u>Year</u>	<u>Budget</u>	<u>Actual</u>
2008	7,052	n/a
2007	11,964	-
2006	70,404	-
2005	70,000	67,236
2004	37,300	27,000
2003	12,000	429

Note:

An assessment of 1 indicates a poor road condition and a 5 indicates the best road condition. The Town of Tabiona has adopted the above listed targets for road conditions. The Town has the opportunity to adopt a new standard as necessary. The Town assessed the entire system in the fiscal year-end June 30, 2007. The Town has agreed to assess road conditions at least once every three years.